

CONFIDENTIAL

29 December 1949

IM 262

MEMORANDUM FOR THE DIRECTOR OF CENTRAL INTELLIGENCE

FROM: Assistant Director, Reports and Estimates

SUBJECT: Dangers Inherent in Present Haitian Fiscal Practices

The present Haitian Government is attempting to borrow substantial sums abroad. This program, if successful, will saddle the country with a crushing debt without contributing materially to a solution of Haiti's basic economic difficulties. US citizens are deeply involved in these unsound financial dealings which, if consummated, could only lead eventually to a worsening of US-Haitian relations.

Since the withdrawal of US fiscal advisers in 1947, the Haitian Government has reverted to the same sort of corrupt, inept practices which brought it to the brink of financial collapse in 1915. The \$2,000,000 treasury surplus has been dissipated, and there is now a \$1,000,000 deficit. The Estime regime is currently trying, through US entrepreneurs, to sell Haitian bonds aggregating \$43,000,000 — equal to nearly three times Haiti's total annual revenue. Sale of these bonds would, in the short run at least, strengthen the present regime by making possible the relief of unemployment through a public works program and by assuring the support of influential political elements through the judicious distribution of graft. After the deduction of discounts, fees, commissions, and graft to Haitian and US citizens, not much would be left for the benefit of the Haitian people.

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In addition to these foreign loans, the Haitian Government has been granted a \$4.2 million credit by the Export-Import Bank for the development of the lower Artibonite Valley and is also trying to sell in the US the unsubscribed portion (\$3,000,000) of a \$10,000,000 Internal Loan. If the Haitian Government should succeed in putting through all these loans, it would increase the country's present national debt of about \$8.5 million to something over \$58,000,000, a sum far in excess of what it can service, much less repay.

THEODORE BABBITT

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